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 (Signature)

Nicaraguan Humanitarian Assistance Office

May 30, 1986

Ms. Cynthia A. Dondlinger
 Director, Contracts & Finance
 AIRMACH, Inc.
 422 Maple Avenue East
 Vienna, VA. 22180

Subject: WHAO Letter of
 Commitment No. 603-028

Dear Ms. Dondlinger:

As you know, AIRMACH has sent this Office invoices totalling \$609,700 covering fifteen flights between the United States and Central America. On May 7, we forwarded payment in the amount of \$487,600, leaving an unpaid balance of \$122,100.

The unpaid balance consists of the following charges:

Insurance (15 flights @ \$5000 ea.)\$75,000
Positioning Surcharge (Dallas to Dulles)	...11,100
Sortie Surcharges (9 flights @ \$3000 ea.)	..27,000
Charges for Feb. 19-20 flight9,000

I have had an opportunity to review each of these items and wish to inform you that, with one exception, this Office must decline to pay them.

The basis for this Office' agreement with AIRMACH is the above-referenced Letter of Commitment, which incorporated the terms set forth in AIRMACH's letter of November 19, 1985, to Mario Calero. As will be explained in more detail below, I have concluded that, under the terms of our agreement, AIRMACH is not entitled to payment of the above-listed items, apart from the single item already mentioned.

First, with respect to the insurance charges, AIRMACH's November 19 letter set a firm price of \$26,900 for flights from New Orleans to a location in Central America which had been code-named "Jerusalem." It gave no indication that an additional amount for insurance would be charged and our Letter of Commitment did not obligate us to pay for insurance as a separate item. While I note that by letter of February 28, 1986, AIRMACH proposed amending the Letter of Commitment to include insurance, no such amendment was ever agreed upon or issued. I should add that the offers which we have received from other carriers to provide the same service as that

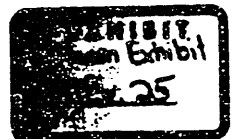
*See memo to [unclear]
 re: [unclear]
 dated [unclear]
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provided by AIRMACH suggest that the agreed rate of \$26,900 is more than adequate to cover insurance costs as well as all flight time.

Second, with respect to the positioning surcharge for an aircraft located at Dallas-Fort Worth, again the Letter of Commitment established a rate for flights originating in New Orleans. It obviously is appropriate for AIRMACH to invoice this Office for a surcharge where we have requested that a flight divert to Dulles International Airport before proceeding to Central America. Further, because AIRMACH's base of operations is located in Miami, we have in practice paid a surcharge for diversions to Dulles where the flight originated in Miami rather than New Orleans. There is no basis, however, for payment of a positioning surcharge merely because AIRMACH chose to use an aircraft which happened to be located at Dallas-Fort Worth. To conclude otherwise would subject WBAO to open-ended commitments which it obviously is not in a position to assume. We believe it would be fair, however, to treat this flight as if the aircraft had been located in Miami and, subject to a condition stated below, to pay the \$9000 surcharge customarily invoiced for flights diverting to Dulles from Miami. OK

Third, with respect to the surcharges for miscellaneous "additional sorties," neither your November 19 letter nor our Letter of Commitment made any reference to such surcharges. Further, AIRMACH's February 28 proposal to amend the Letter of Commitment to include such sorties was not accepted. Insofar as I am aware, such sorties were not related to any additional services requested by this Office after the Letter of Commitment was issued. Accordingly, WBAO cannot pay those surcharges.

Finally, with respect to the surcharge for the additional sorties during the flight of February 19-20, my understanding is that this surcharge is to cover expenses attributable to (1) AIRMACH's unilateral decision to fly to [redacted] on the night of February 19 and then on to [redacted] on the 20th, rather than flying directly to [redacted] on the 20th as directed by this Office and (2) AIRMACH's unilateral decision once at [redacted] to make a round trip flight back to [redacted] to pick up additional supplies not purchased with WBAO grant funds. Any additional expenses incurred by AIRMACH as a result of these two unauthorized actions are its own responsibility. Reimbursement of such expenses was not included in your November 19 letter or our Letter of Commitment. Further, such expenses are not attributable to any action taken or requested by this Office after issuance of the Letter of Commitment. Hence, WBAO has no obligation to pay any portion of the surcharge for the February 19-20 flight.

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For these reasons, with the exception of a single surcharge for the diversion of a flight to Dulles, the unpaid items on AIRMAC's invoices cannot properly be charged to this Office. In the case of the flight which originated in Dallas-Fort Worth, we believe that \$9000 would be fair reimbursement for the diversion to Dulles. Payment of such amount, however, must constitute a complete discharge of all claims by AIRMAC against WHAO. If this is acceptable to AIRMAC, please contact Phil Duechler of this Office and he will authorize transfer of \$9000 to your account in the usual manner.

Sincerely,

R.W. Duenling
Robert W. Duenling,
Director

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